

NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 5-5552
EDWARD CONLEY/TOKYO

FEBRUARY 24, 1978

JAPAN: ECONOMIC PROMISES AND PROBLEMS

ANNCR:

WITH ITS NINETEEN SEVENTY EIGHT FISCAL YEAR BEGINNING ON APRIL FIRST, JAPAN IS FACING A CRUCIAL PERIOD IN WHICH IT HOPES TO FULFILL ITS PLEDGE TO HELP THE FREE WORLD'S ECONOMY RECOVER. VOA CORRESPONDENT EDWARD CONLEY HAS THIS BACKGROUND REPORT FROM TOKYO.

VOICE:

INCREASING JAPAN'S ECONOMIC GROWTH RATE FROM FIVE POINT THREE PERCENT TO SEVEN PERCENT AND CUTTING JAPAN'S INTERNATIONAL TRADE SURPLUS FROM TEN THOUSAND MILLION DOLLARS TO SIX THOUSAND MILLION DOLLARS...THESE ARE PLEDGES MADE BY JAPAN TO HELP STRENGTHEN THE WORLD ECONOMY.

JAPANESE OFFICIALS SAY THEY CAN BE MET, BUT WITH DIFFICULTY. BOOSTING THE COUNTRY'S DOMESTIC GROWTH RATE, IT'S THOUGHT, WILL OPEN JAPAN'S DOORS TO INCREASED IMPORTS. TO THIS END, THE GOVERNMENT HAS FORMALLY PROPOSED A HUGE INCREASE IN OFFICIAL SPENDING ON PUBLIC WORKS PROJECTS. THE BUDGET IS NOW BEFORE THE DIET AND IS EXPECTED TO BE APPROVED. IN ADDITION, OPPOSITION PARTIES ARE DEMANDING A TAX CUT TO GET MORE MONEY INTO CIRCULATION.

THERE'S ALSO TALK IN THE JAPANESE CAPITAL OF MONETARY MOVES -- A LOWERING OF THE OFFICIAL DISCOUNT, OR LENDING RATE OF BANKS, TO STIMULATE SLUGGISH DOMESTIC BUSINESS ACTIVITY. MANY COMPANIES IN JAPAN ARE SITTING BACK WATCHING--NOTING THE LARGE INVENTORIES STILL IN THEIR WAREHOUSES, AND A CONTINUING SLOW TREND IN CONSUMER SPENDING. BUT IT'S HOPED THAT THE EXTRA MONEY POURED INTO THE DOMESTIC ECONOMY BY THE GOVERNMENT AND THE AS YET N O T

ANNOUNCED BUT EXPECTED LURE OF A LOWER DISCOUNT RATE, WILL LEAD TO THE SEVEN PERCENT GROWTH TARGET SET BY JAPAN.

THE JAPANESE PLAN TO CUT ITS HUGE INTERNATIONAL TRADE SURPLUS BY FOUR THOUSAND MILLION DOLLARS ALSO HAS ITS PITFALLS. IN A FULL CIRCLE CHAIN OF EVENTS, JAPAN'S TRADE SURPLUS OF FISCAL NINETEEN SEVENTY SEVEN HELPED CAUSE A SHARP APPRECIATION IN THE VALUE OF THE YEN. THIS IN TURN HAS LED TO HIGHER PRICES FOR JAPANESE GOODS ABROAD AND SOME STAGNATION IN EXPORTS. SHIP BUILDING AND SOME SMALLER INDUSTRIES HAVE BEEN HARD HIT, AND JAPAN'S AUTO MAKERS COULD FEEL THE EFFECT OF THE YEN'S APPRECIATION SOON. BUT JAPAN'S EXPORT ORIENTED ECONOMY CONTINUES AND EVEN IF THE COUNTRY'S DOMESTIC STIMULUS PLAN MEETS ITS GOAL, THERE IS N O T ENOUGH OF THE NEED IN JAPAN FOR MASSIVE IMPORTS WHICH COULD CUT DOWN THE TRADE SURPLUS.

MUCH OF THE BURDEN OF LOWERING THE SURPLUS WILL BE HANDLED THROUGH EMERGENCY IMPORTS OF GRAIN, CRUDE OIL AND URANIUM -- NOT REALLY NEEDED NOW -- WHICH WILL IMMEDIATELY BE PUT INTO STORAGE. INCREASED JAPANESE FOREIGN AID WILL ALSO HELP TO DENT ITS FOREIGN CURRENCY SURPLUS.

JAPANESE OFFICIALS BELIEVE THAT THEIR DOMESTIC ECONOMIC AND INTERNATIONAL TRADE PACKAGE WILL START SHOWING RESULTS TOWARD THE SECOND HALF OF FISCAL NINETEEN SEVENTY EIGHT--SOMETIME AROUND SEPTEMBER. BUT THEY ARE ALSO HOPEFUL, IN FACT PUSHING FOR, SOME EARLY INDICATORS THAT THEIR PLAN IS WORKING.

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JS/RTD